Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Petition of USTelecom for	)	WC Docket No. 13-3
Declaratory Ruling that Incumbent Local	)	
Exchange Carriers Are Non-Dominant in	)	
The Provision of Switched Access Services	)	

REPLY COMMENTS OF AT&T SERVICES, INC.

AT&T Services, Inc., on behalf of its wholly-owned operating company affiliates (collectively, "AT&T") submits these reply comments pursuant to the Commission's Public Notice seeking comments to refresh the record in the above-captioned proceeding.[1] As the initial comments of USTelecom,[2] CenturyLink,[3] and Verizon[4] make clear, the original petition[5] was supported by concrete evidence demonstrating that incumbent local exchange carriers (ILECs) are not dominant in the provision of switched access services and, in the passage of the two years since the last comment cycle closed, the evidence supporting USTelecom's petition has only become more persuasive. As discussed herein, this is AT&T's experience as well.

As our original comments make clear, dominant carrier regulation imposes significant social and economic costs, including both the administrative costs of complying with FCC rules and the loss of dynamism that results from inhibiting carriers' ability nimbly to adjust to

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[1] Public Notice, Wireline Competition Bureau Seeks Comment to Refresh the Record on United States Telecom Association Petition for Declaratory Ruling That Incumbent Local Exchange Carriers are Nondominant in the Provision of Switched Access Services, rel Jan. 21, 2016.
[2] Comments of the United States Telecom Association, WC Docket No. 13-3 (filed Feb. 22, 2016).
[3] Comments of CenturyLink, WC Docket No. 13-3 (filed Feb. 22, 2016).
[4] Comments of Verizon, WC Docket No. 13-3 (filed Feb. 22, 2016).
[5] *Petition of USTelecom for Declaratory Ruling that Incumbent Local Exchange Carriers are Non-Dominant in the Provision of Switched Access Services*, WC Docket No. 13-3 (filed Dec. 19, 2012) (Petition).

changes in consumer demand in today's hypercompetitive marketplace.[6] All the while, the number of subscribers to legacy, circuit switched services continues to dwindle rapidly, thereby causing the cost of complying with these regulations to be spread over fewer customers, proportionately increasing the burden on those that remain. Consequently, as USTelecom requests, the Commission should promptly declare that ILECs are no longer presumptively dominant in the provision of such services and thus shall be regulated on the same nondominant basis as their competitors.

I. USTELECOM HAS PROVIDED THE COMMISSION MORE THAN SUFFICIENT DATA TO SUPPORT A COMMISSION FINDING THAT ILECS ARE NO LONGER DOMINANT IN THE PROVISION OF SWITCHED ACCESS.

Several Commenters argue that the data USTelecom submitted in support of its Petition is insufficient and/or stale.[7] The record shows this is not the case. As the data adduced by USTelecom in its original petition amply demonstrated, by any measurement (number of lines/households served or volumes of traffic), ILECs provide circuit-switched voice services to a rapidly dwindling minority of consumers nationwide.[8] Customers have and continue to abandon ILEC voice services in droves because they have a plethora of alternatives available to them, some of which offer more functionality than legacy voice services.[9] USTelecom has refreshed the key data relied upon in its original comments in this docket and the data unquestionably shows that ILEC share of switched voice services continues to decline; putting to rest any question about the ILECs lack of dominance in this market. As USTelecom notes

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[6] AT&T Comments, WC 13-3, (filed Feb. 23, 2013) at 3.

[7] *See e.g.*, Comments of General Communication Inc. In Response To Public Notice Seeking To Refresh The Record, WC Docket No. 13-3 (filed Feb. 22, 2016) (GCI Comments) at 4-6; Comments of the Michigan Public Service Commission, WC Docket No. 13-3 (filed Feb, 22, 2016) at 3.

[8] USTelecom Petition at 24-40. At that time, less than one-third of U.S. households subscribed to an ILEC-provided circuit-switched voice service and ILEC switched access minutes declined more than 70 percent in little more than a decade.

[9] *Id*.

"[t]he reality is that ILECs long ago lost their stronghold in the switched access market, largely because the policies and the regulations that grew out of the 1996 Act did what they were intended to do."[10] Of particular note, and based on marketplace observations and evidence, USTelecom projected that by the end of 2015:

- More than 50 percent of U.S. households were wireless only;[11]
- In excess of 30 % of U.S households were using landline other than ILEC switched access;[12]
- ILECs provided switched access voice service to fewer than 20 percent of U.S households nationwide.[13]

AT&T's own experience remains consistent with these national trends. In our initial comments we demonstrated that since 1999, the number of residential switched ILEC access lines in AT&T's ILEC states had fallen by more than 70 percent, even as the number of total housing units that ILECs must stand ready to serve has continued to increase.[14] Similarly, we projected that by the end of 2013 only about 21 percent of housing units in AT&T's ILEC region would subscribe to traditional voice services provided by an ILEC.[15] Updating these projections through 2015, our analysis now shows that by the end of 2015 the number of switched ILEC access lines in AT&T's ILEC states had fallen 83.4 percent and that only about

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[10] USTelecom Comments at 2.
[11] *Id*. at 3. This projection of wireless-only households is consistent with the Center for Disease Control's most recent report that found that nearly one half of U.S. households (47.4%) had only wireless telephone service for the first half of 2015. *See* CDC/NCHS, National Health Interview Survey, January–June 2015, *released* December 2015.
[12] USTelecom Comments at 3.
[13] *Id.*
[14] AT&T Comments, WC Docket No. 13-3 (filed Feb. 25, 2013) ("AT&T Comments") Attachment. A.
[15] AT&T Comments, Attachment B. The data showed that in certain states, the number was much lower. In Michigan, Florida, Texas, Nevada and Illinois, for example, the projections showed that fewer than 20 percent of housing units would subscribe to ILEC POTS service by the end of 2013.

14 percent of housing units in AT&T's ILEC region would subscribe to traditional voice services provided by an ILEC.[16]

This same precipitous trend is present in the business market as well. Commission data on the number of ILEC business switched access lines shows a drop of 50 percent in these lines between 1999 and 2013 (the latest year for which the Commission has published these data).[17] While over this same period, the Census Bureau of the Department of Commerce's count of U.S. business establishments has increased by nearly 7 percent.[18] The history of these data series are reported in Attachment C. Further, as the Commission notes, it is likely there are many more interconnected business VoIP lines than are reported in the Commission's Form 477 data. Many large enterprises run their own corporate VoIP networks, but because they do not provide switched access services to unaffiliated entities, they are exempt from reporting line data on Form 477.[19]

GCI attempts to dismiss the evidentiary data showing competition and ILEC switched access market loss by arguing that the evidence fails to meet the standard set out in the 2010 *Qwest Phoenix Forbearance Order*.[20] GCI's claim is a red herring. The very large, and increasing, number of consumers that have abandoned ILECs' traditional voice telephone[21] services in favor of wireless and interconnected VoIP services shows that consumers themselves consider these alternatives to be competitive substitutes for ILEC switched voice services. Indeed, such massive customer abandonment of ILEC switched voice service shows that consumers view these alternatives as preferable to ILEC switched voice services. These data,

[16] *See* Attachments A and B to these comments respectively.
[17] https://www.fcc.gov/general/local-telephone-competition-reports
[18] http://www.census.gov/econ/susb/
[19] https://www.fcc.gov/Forms/Form477/477inst.pdf
[20] GCI Comments at 4 *citing Petition of Qwest Corporation for Forbearance Pursuant to 47 U.S.C. § 160(c) in the Phoenix, Arizona Metropolitan Statistical Area*, FCC 10-113, 25 FCC Rcd. 8622 (2010).
[21] *See e.g.*, Attachments A & B to these comments.

along with that initially cited by USTelecom in support of its petition, and refreshed in its comments, further show that, regardless whether one looks at market share, the extent of existing competition, the ease and speed with which competing providers could expand capacity to absorb remaining ILEC switched voice traffic, or the demand elasticity of voice customers (as shown by the number of customers that already have switched), ILECs are no longer (and have not been for quite some time) dominant in the provision of voice services.

II. THE RELIEF REQUESTED IN THE PETITION IS LIMITED TO PROVIDING ILECS REGULATORY PARITY IN THE PROVISION OF SWITCHED ACCESS SERVICES

USTelecom, Verizon and CenturyLink use their comments to clarify that the Petition only seeks regulatory parity amongst LECs providing switched access.[22] These commenters explain that the Petition does not seek to deregulate switched access services and rates;[23] and does not seek to alter the substantive requirements established by the Commission in the *USF/ICC Transformation Order*.[24] AT&T agrees with these characterizations of the requested relief and that the Petition, if granted, would not result in the blanket deregulation of switched access services or rates, nor alter the *USF/ICC Transformation Order*. The Commission can easily dispose of the claims of certain parties[25] that exaggerate the relief USTelecom is seeking.

III. SPRINT RAISES ISSUES THAT HAVE NOTHING TO DO WITH SWITCHED ACCESS.

Sprint raises issues that have nothing to do with the relief that USTelecom is requesting here. For example, it seems that Sprint can't file a pleading at the Commission these days without raising its baseless claims about Special Access.[26] Special Access services have

[22] USTelecom Comments at 8; CenturyLink Comments at 7; Verizon Comments at 6.
[23] *Id*.
[24] CenturyLink Comments 7.
[25] *See e.g.*, GCI Comments at 7.
[26] Comments of Sprint Corporation, WC Docket No. 13-3 (filed Feb. 22, 2016) at 6.

nothing to do with the pending petition.[27] Moreover, and most significantly, even if Special Access services were relevant here, which they are not, AT&T and other parties have filed comprehensive comments and evidence demonstrating that Sprint's claims of ILEC dominance in the Special Access market are completely unfounded.[28]

Sprint also requests that the Commission condition any grant of relief on the ILECs' agreement to forgo any CAF universal service support.[29] Sprint's request should be rejected. First, as Sprint notes,[30] CETCs are eligible for and receive CAF support – it is not limited to ILECs. Second, CAF support is not limited to dominant providers. Non-dominant providers are eligible for and have received CAF support.[31] There is no justification to require ILECs to forgo CAF funds on the sole basis that should the Petition be granted they would be deemed non-dominant. Indeed, the purpose of the funding that AT&T primarily receives – so-called CAF Phase II support – is to deploy broadband service meeting FCC specifications to FCC-identified areas.[32] Requiring AT&T to forgo such funding furthers no legitimate policy goal; indeed, such a result is counter to sound public policy.

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[27] Verizon Comments at 4.

[28] *See* WC Docket No. 05-25, Comments of AT&T, Inc. (filed Jan. 29, 206) and Reply Comments of AT&T, Inc. (filed Feb. 19, 2016); WC Docket No. 15-247, Brief of AT&T, Inc. in Support of its Direct Case (filed Jan. 8, 2016) and Reply Brief of AT&T, Inc. in Support of its Direct Case (filed Feb. 26, 2016).

[29] Sprint Comments at 4.

[30] *Id.*

[31] *See, e.g.*, the Commission's Rural Broadband Experiments, which have authorized CAF payments to non-dominant providers. The Commission also will commence a CAF Phase II auction to disburse funds in price cap carrier service areas in a number of states. The Commission and industry anticipate that non-dominant providers will actively participate in this auction.

[32] AT&T does not receive the type of CAF support to which Sprint appears to take exception (*i.e.*, CAF intercarrier compensation support). Sprint Comments at 4.

CONCLUSION

For the foregoing reasons, the Commission should grant USTelecom's petition and finally declare that ILECs are nondominant in the provision of switched access services.

Respectfully submitted,

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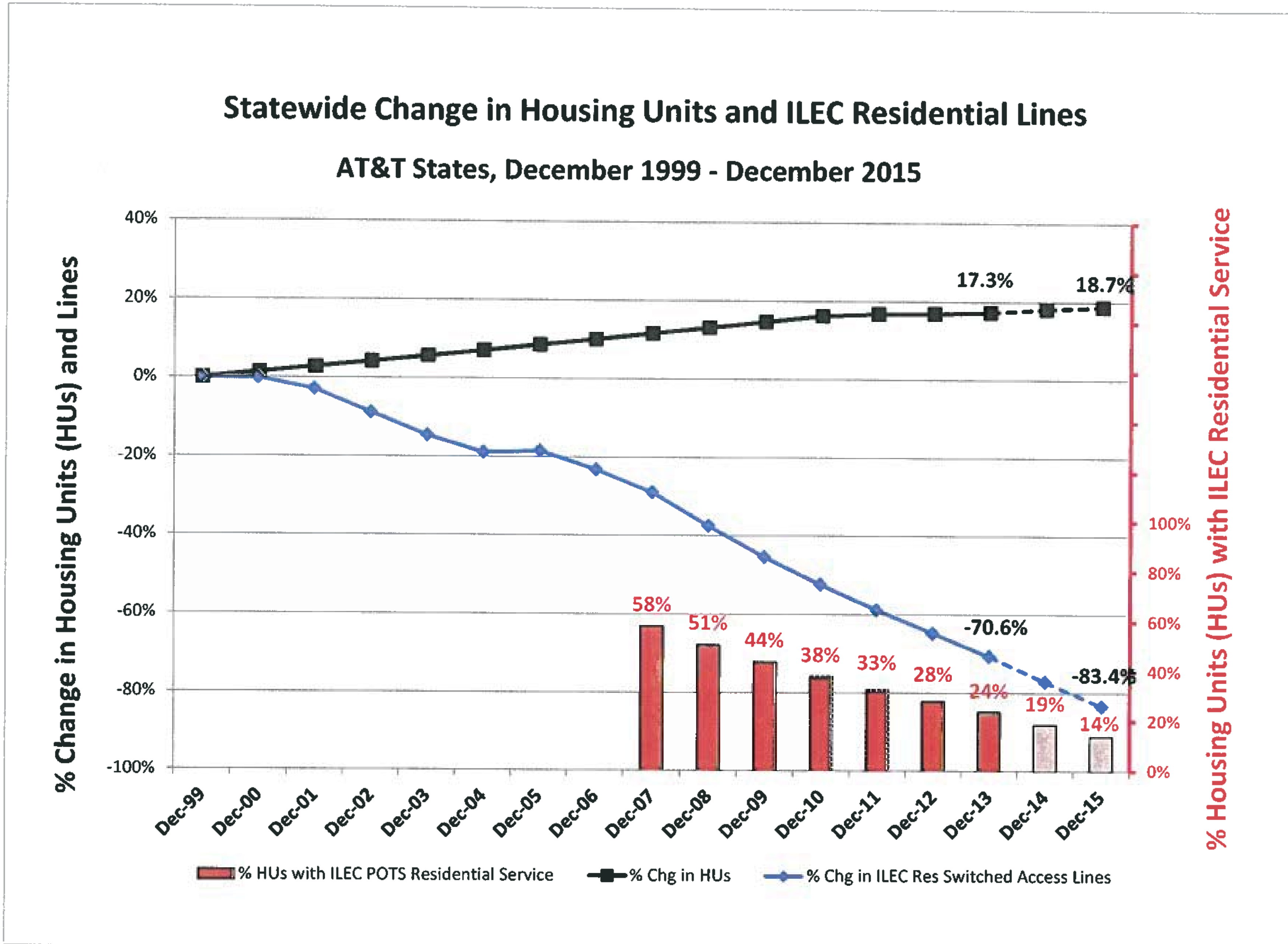
ATTACHMENT A



Data Source:

- ILEC Res Lines from FCC Local Telephone Competition Reports
- Housing Units are linear plots of values from 1990, 2000, 2010 Census plus ACS 2011 thru 2013 1 Yr Estimates
- Data for 2014 and 2015 are estimates using linear trending

ATTACHMENT B

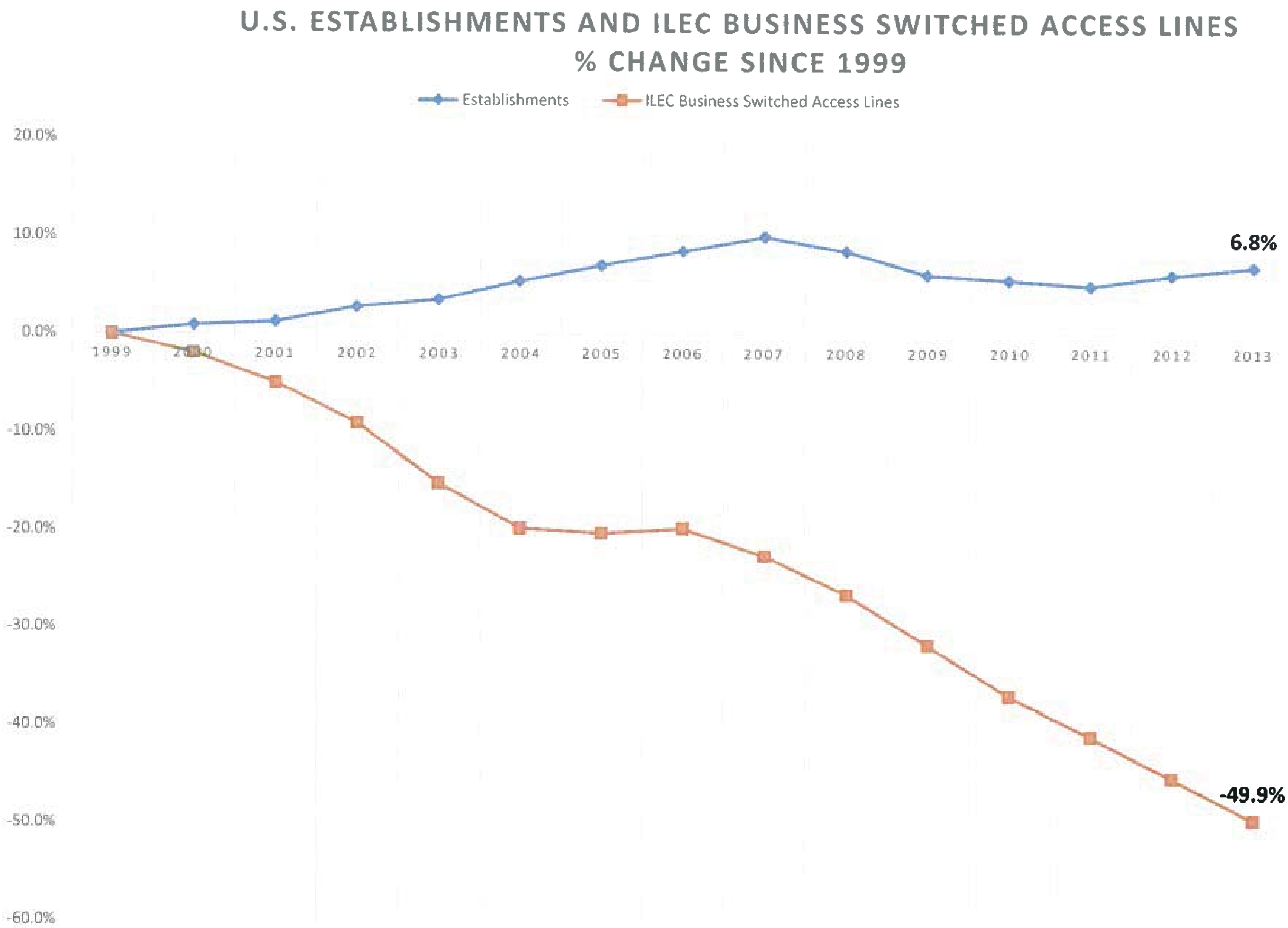
Trends in ILEC Residential Switched Access Line Service & Housing Units (1999 - 2015)

State	Cumulative Change in HUs (1999 - 2015)	Cumulative Change in ILEC Res Switched Access Lines (1999 - 2015)	HUs with ILEC POTS Residential Service (2015)	State Rank as % of HU with ILEC POTS Residential Service (Lowest to Highest)
Florida	28.1%	-89.1%	9%	1
Michigan	8.2%	-89.6%	9%	2
Texas	30.8%	-87.0%	10%	3
Illinois	9.6%	-87.3%	12%	4
Tennessee	20.3%	-83.6%	13%	5
Connecticut	8.4%	-87.2%	13%	6
Indiana	13.3%	-83.2%	14%	7
Kansas	11.4%	-82.0%	14%	8
Georgia	30.1%	-79.4%	15%	9
Louisiana	9.8%	-80.6%	15%	10
California	14.9%	-85.4%	15%	11
Mississippi	13.2%	-77.4%	15%	12
Oklahoma	13.2%	-81.2%	15%	13
Alabama	14.7%	-78.1%	16%	14
Ohio	8.6%	-82.2%	16%	15
Missouri	13.5%	-80.4%	16%	16
Wisconsin	16.0%	-78.1%	17%	17
Arkansas	16.7%	-74.7%	18%	18
Nevada	54.3%	-73.0%	18%	19
South Carolina	28.0%	-72.0%	19%	20
North Carolina	30.1%	-72.5%	20%	21
Kentucky	13.3%	-68.3%	24%	22
AT&T States	**18.7%**	**-83.4%**	**14%**	

Data Source:

- ILEC residential switched access lines from FCC Local Telephone Competition Reports
- Houseing Units (HUs) are linear plots from 1990, 2000 & 2010 Census data and ACS 2011, 1012, & 2103 1Yr Estimates
- Data for 2014 & 2015 are estimates using linear trending

ATTACHMENT C


U.S. ESTABLISHMENTS AND ILEC BUSINESS SWITCHED ACCESS LINES
% CHANGE SINCE 1999
Establishments
ILEC Business Switched Access Lines
20.0%
10.0%
0.0%
-10.0%
-20.0%
-30.0%
-40.0%
-50.0%
-60.0%
1999
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
6.8%
-49.9%